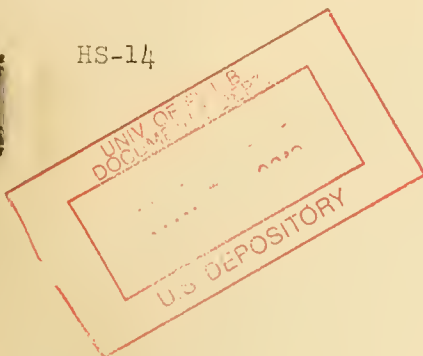


UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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T H E H O G S I T U A T I O N

Summary

Hog prices were fairly steady in the first half of December, following a very marked decline from mid-August through November. In late November the weekly average price of butcher hogs at Chicago was about \$8 compared with \$13 in mid-August. The chief reasons for this marked decline, according to the Bureau of Agricultural Economics, were: (1) A relatively greater-than-average seasonal increase in hog marketings; (2) an increasing weakness in the consumer demand for meats and lard, and (3) a weak storage demand for hog products, which apparently resulted from the prospects for larger hog marketings and a lower level of consumer demand. Prices of light and medium weight hogs recovered slightly in early December.

As indicated in the Bureau's annual hog outlook report, the total tonnage of hogs marketed in the 1937-38 marketing year, which began October 1, is expected to be about equal to that in 1936-37. In view of the prospects for a weaker consumer demand for meats in 1938 than in 1937, it was stated in the outlook report that the average price of hogs in 1937-38 probably would be lower than in 1936-37. The declines in industrial activity and employment since the outlook report was prepared in October increases the probability that prices will average lower in the current marketing year than in 1936-37.

Although the seasonal reduction in hog marketings in early 1938 probably will be less than average, a stronger storage demand for hog products may develop during that period. Some seasonal advance in hog prices, therefore, may occur in the early months of 1938, unless greater weakness develops in consumer demand than is now expected. But since hog marketings in the last half of the 1937-38 marketing year are expected to be considerably larger than a year earlier, hog prices are expected to average lower next spring and summer than in the same period of 1937.

Feed supplies this year generally are large in relation to the number of livestock on farms. These large feed supplies, together with the relatively low feed prices, probably will result in a materially larger pig crop in the spring of 1938 than a year earlier. The ratio of hog prices to corn prices has been considerably above average since September.

The December 1 Pig Crop Report, giving estimates of the numbers of sows farrowed and pigs saved in the fall season of 1937, will be released December 23, 1937.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- Hog prices in the 1936-37 marketing year, which ended September 30, 1937, averaged higher than in any year since 1926-27. Inspected hog slaughter in 1936-37 was about 10 percent larger than in either of the 2 preceding years, but was about 25 percent smaller than the average of the 10 years prior to 1934-35. The higher average price for hogs in 1936-37 than in 1935-36 was chiefly the result of the improvement in consumer demand for meats. All of the increase in hog slaughter in 1936-37 over that of a year earlier was in the first 7 months of the year, October 1936 through April 1937. Inspected hog slaughter from May through September 1937 was only slightly larger than the small slaughter of the summer of 1935, and the May-September slaughter of 1937 was the second smallest for the period since 1902. The very small summer slaughter in 1937 was largely a reflection of the greatly reduced feed supplies resulting from the 1936 drought.

Hog prices drop sharply from August through November

Hog prices recovered slightly in early December, after declining to the lowest level since early 1935 during late November. The advance in early December, however, was confined to light and medium weight hogs, as prices of heavy weight hogs declined further during this period. From mid-August to late November the weekly average of butcher hogs at Chicago declined from about \$13 to about \$8. This decline was one of the greatest on record for periods of similar length. Ordinarily hog prices decline somewhat in the fall months as marketings of spring pigs increase, but this year the decline was much greater than average.

Large seasonal increase in hog slaughter since August

The chief reasons for the marked decline in hog prices were: (1) The relatively greater-than-average seasonal increase in hog slaughter supplies; (2) an increasing weakness in consumer demand for hog products; and (3) a weak storage demand for hog products, which apparently resulted from the prospects for larger hog marketings and a lower level of consumer demand. Despite the fact that hog slaughter has continued smaller than a year earlier, the increase from the very low level in mid-August through November was relatively large. Inspected hog slaughter in November, totaling 3,295,000 head, was more than double that of August, whereas over a period of years the average increase from August through November has been about 45 percent. In both October and November inspected hog slaughter was more than 20 percent smaller than that of a year earlier.

Weakness in consumer demand since last summer

In recent months industrial activity has been rather sharply reduced and employment has decreased. As a result there has been some weakness in consumer demand for meats. In addition, the demand for lard also has been weakened by the much larger supply of cottonseed oil for 1937-38 than for 1936-37.

Storage demand for hog products unfavorable

Since periods of time, varying roughly from 1 to 3 months, are required for processing and curing hog products, prices of hogs and hog products are affected not only by the current supply and consumer demand but also by prospective future conditions of supply and consumer demand. In view of the larger feed supplies this year, it is expected that the total tonnage of hogs slaughtered in 1938 will exceed that of 1937. It appears probable that consumer demand for meats in most of 1938 will be less favorable than in 1937. These prospects for larger supplies of hogs and weaker consumer demand, and hence lower prices, in 1938 have been reflected in the storage operations of packers. Storage stocks of hog products decreased steadily from April through October, and at the beginning of November storage stocks of pork and lard were near record low levels. The increase in such stocks during November was relatively small, being only about one-third as large as the increase in November last year. Consequently the movement of hog products into consumption channels has been large in relation to the number of hogs marketed, and the recent increase in slaughter supplies of hogs has been reflected strongly in prices of hogs and hog products.

Storage holdings of pork and lard on December 1, average 1930-34, annual 1935-37, and November 1, 1937

Item	: Dec. 1 : average : 1930-34	: Dec. 1, : 1935	: Dec. 1, : 1936	: Nov. 1, : 1937	: Dec. 1, : 1937 <u>1/</u>
	: 1,000	1,000	1,000	1,000	1,000
	: pounds	pounds	pounds	pounds	pounds
Pork:	:				
Frozen	89,776	36,048	144,308	47,473	64,386
Dry salt, cured and	:				
in process of cure....	59,507	30,924	43,710	39,005	38,167
Pickled, cured and in	:				
process of cure	313,423	136,177	275,332	179,933	202,887
Total.....	462,706	253,209	463,400	266,414	305,240
Lard	63,215	37,906	108,765	30,477	33,974

Hog situation in recent months much different from year earlier

The hog situation in the fall months of 1937 has been in marked contrast to that of the fall of 1936. The seasonal decline in hog prices last fall, that is, from August through November 1936, was small, amounting to only about 50 cents per 100 pounds, despite the fact that the seasonal increase in hog marketings during this period was fairly large. The strength in hog prices in the fall of 1936 apparently resulted from the rather strong storage demand for hog products which developed at that time. The 1936 corn crop was unusually small because of drought, and in the fall of 1936 it was generally expected that the slaughter of hogs in the spring and summer of 1937 would be very small. Also, at that time prospects for demand conditions were generally favorable. Industrial activity, employment and incomes of consumers were increasing. Consequently, in the fall of 1936 the outlook was for rising prices of hogs and hog products during the spring and summer of 1937.

These prospects resulted in a larger than usual increase in storage stocks of pork and lard from October 1 to March 1. The proportion of the total volume of winter hog production going into storage in 1936-37 was the largest on record. At the beginning of March 1937 the increase in storage stocks of hog products over a year earlier was roughly equivalent to the products obtainable from about 2,800,000 hogs of average market weight.

Beginning about mid-May 1937, slaughter supplies of hogs were reduced sharply and hog prices advanced. This decrease in supplies continued until about mid-August. The rise in prices of butcher hogs from late April to mid-August was about \$3.25 per 100 pounds. During the summer when hog supplies were very small, stocks of pork and lard were greatly reduced, and by the end of October they were about the smallest of record.

Prices of hog products decline since August

Wholesale prices for fresh pork, cured pork and lard declined during November, with prices of fresh pork recovering slightly in early December. As usual for this season, the decline in prices since August has been much more pronounced for fresh pork than for cured pork. About mid-August the weekly average price of light loins, 8 to 10 pounds, at Chicago, was \$31.20 per 100 pounds, but by late November it was down to about \$16.25. The weekly average price of hams, smoked regular, No. 1, 12 to 14 pounds, at Chicago, declined from \$27.50 per 100 pounds in mid-August to about \$21.75 in late November. In early August the weekly average wholesale price of refined lard at Chicago was \$13.75, but by late November it was only about \$10.

The drop in prices of hog products reflects the increase in supplies of hog products moving into consumption channels, and the weakening of consumer demand for hog products. As already indicated, lard prices also have been affected by the greatly increased supplies of cottonseed oil from this year's record cotton crop.

Hog-corn price ratio more favorable for hog products

With corn production and the total production of all feed grains much larger this year than last, the shift in prices of corn to a new crop basis in the past 2 months has been accompanied by a decline of more than 50 percent. The weekly average price of No. 3 Yellow corn at Chicago in late November was only about 53 cents per bushel, compared with the average for September of \$1.06. Since the decline in corn prices was relatively greater than the drop in hog prices, the hog-corn price ratio increased from about 9 in mid-summer to about 16 in November. The average ratio over a long period of years was about 11.4.

The more favorable relationship of hog prices to corn prices has been partly responsible for average weights of hogs in recent months being much heavier than a year earlier. The heavier average weights also reflect the comparatively large marketings of hogs from the 1936 fall pig crop which were held during the spring and summer on pasture and finished later on the new crops of feed grains. Partly because of the larger proportion of heavy weight hogs in market supply than a year earlier and partly because of the relatively weak demand for lard, prices of heavy weight hogs have declined more in recent weeks than prices of other kinds.

Lard exports increase in October

Lard exports in October, totaling nearly 19 million pounds were the largest for any month since November 1934 and were about twice as large as in September. A large part of the increase as compared with a month earlier was in shipments to the United Kingdom. In view of the relatively small stocks of lard now on hand and the continued low level of lard production, it does not appear likely that exports during the current winter season, will continue in as large volume as in October. For the entire marketing year, 1937-38, however, lard exports may exceed those of 1936-37 chiefly because of the larger supplies of cottonseed oil available for domestic use. Exports of pork in October totaled about 4,700,000 pounds, larger than in September and also larger than in October last year. Imports of pork in October amounted to about 6 million pounds, or about the same as in September.

OUTLOOK

BACKGROUND.- In the hog outlook report for 1938 released by the Bureau in early November, the following indications with respect to prices and supplies of hogs next year were given:

(1) The number of hogs slaughtered in the 1937-38 marketing year, which began October 1, probably will be somewhat smaller than in 1936-37. The decrease in numbers slaughtered, however, will be largely offset by an increase in average weights. Hence, total supplies of hog products in the current marketing year probably will be about as large as a year earlier.

(2) Domestic demand for hog products in the 1937-38 marketing year probably will be less favorable than in 1936-37. Hog prices in 1937-38, therefore, are expected to average lower than in 1936-37.

(3) Seasonal changes in hog marketings and in hog prices in 1937-38 probably will be materially different from those of 1936-37. It is expected that supplies in the first 3 months of the marketing year will represent a relatively small proportion of the total for the first half of the year and of the total for the entire year. Hog marketings in the last half of the year will be fairly large in relation to those of the first half of the year. Hog prices in the summer months of 1938 probably will advance much less than they did in the summer of 1937.

(4) The number of pigs raised in 1938 will be considerably larger than in 1937. In the Western Corn Belt, where hog numbers have been sharply reduced since 1933, the expansion in hog production next year will be only moderate, for corn production in the Corn Belt States west of the Missouri River was curtailed by drought.

The further declines in industrial activity and employment since the outlook report was prepared in October strengthens the indication that the domestic demand for hog products in the 1937-38 marketing year will be less favorable than that of 1936-37. In October hog prices averaged about 50 cents higher than in October 1936, but in November they averaged about \$1 lower than a year earlier. In the 1936-37 marketing year hog prices were at the lowest level of the year in October and November. With present prospects for larger slaughter supplies of hogs in the last half of 1937-38 than a year earlier, it now appears fairly certain that the average price of hogs for the current marketing year will be lower than in the previous year.

As indicated earlier the recent sharp decline in hog prices reflects not only the increased slaughter of hogs and weakened consumer demand but also a very weak storage demand. If consumer demand and business activity generally show signs of stability in the next few months, it is probable that there will be some improvement in the storage demand for hog products, especially in view of present small stocks. Although the seasonal reduction in hog marketings during the late winter is expected to be less than average, it probably will be sufficient together with the improvement in storage demand to cause some advance in hog prices from present levels during the first quarter of 1938.

With prospects for larger slaughter supplies of hogs next summer than a year earlier it would be expected, even with no change in demand conditions, that prices during the period would be lower than last summer. If demand conditions are less favorable, hog prices probably will average considerably lower than in the summer of 1937, when they were unusually high.

Despite the probability that hog prices during the remainder of the 1937-38 marketing year will average lower than a year earlier, the relation of hog prices to corn prices probably will continue favorable for the feeding of corn to hogs. Feed supplies generally are large in relation to the number of livestock on farms, and these large feed supplies along with the relatively low feed prices are likely to result in a pig crop in the spring of 1938 considerably larger than a year earlier.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct. - Sept.						
		Average:						
		Oct.	Sept.	Oct.	1928-29	1934-	1935-	1936-
		1936:	1937:	1937	to	35	36	37
					1932-33:			
Hog slaughter under Federal inspection:	thou-							
Number slaughtered <u>1/</u>	sands	3,492	2,033	2,711	46,363	30,680	31,022	34,142
Live weight:								
Average	pound	213	232	225	231	220	232	221
Total	mil.lb.	742	472	611	10,723	6,742	7,191	7,538
Dressed weight:								
Average	pound	157	168	167	175	164	175	164
Total	mil.lb.	547	341	452	8,069	5,012	5,402	5,586
Yield of lard per 100 pounds of live weight of hogs	pound	10.9	9.2	9.7	15.2	11.6	12.1	10.9
Production of lard	mil.lb.	81	44	59	1,630	790	870	833
Apparent consumption:								
Pork, incl. lard <u>2/</u>	mil.lb.	549	465	484	7,171	5,102	5,124	5,602
Lard	" "	77	79	73	961	730	712	757
Exports <u>3/</u> :								
Pork	" "	4	3	5	211	104	69	59
Lard	" "	11	10	19	657	142	101	107
Imports of pork <u>3/</u>	" "	3	6	6	6	7	32	72
Proportion of sows in inspected slaughter <u>4/</u>	percent	52.5	56.4	52.8	51.2	51.3	52.0	51.1

1/ Bureau of Animal Industry.

2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

3/ United States Department of Commerce. Pork includes bacon, hams, and shoulders, and fresh, canned and pickled pork. Lard includes neutral lard.

4/ Includes gilts.

Prices of hogs and hog products, specified periods

						Oct.-Sept.	Oct. - Nov.		
						Average:			
Item	Unit	Nov. 1936	Oct. 1937	Nov. 1937	1928-29 to 1932-33	1935-36	1936-37	1936-37	1937-38
	dolls.								
Average price:	per 100:								
Seven markets	pounds	9.20	9.81	8.41	1/	9.64	10.28	9.24	9.11
Chicago	"	9.48	10.03	8.64	6.99	9.90	10.49	9.52	9.34
U. S. average price									
received by farmers...	"	8.74	9.78	8.25	6.48	9.15	9.66	8.96	9.02
Prices of hog products,									
Chicago:									
Loins, 8-10 lb.	"	17.26	21.68	18.71	17.07	21.21	22.29	18.46	20.20
Hams, smoked reg.									
No. 1, 10-12 lb.	"	22.81	25.75	23.62	20.31	26.58	24.65	23.50	24.68
Bacon, smoked, No. 1									
dry cured, 6-8 lb.	"	26.84	32.50	29.38	23.71	30.86	28.58	27.09	30.94
Lard, refined,									
H. W. tubs	"	12.66	12.00	11.38	9.68	12.65	13.13	12.54	11.69
Composite wholesale									
price of hog products,									
New York	"	20.04	22.63	20.53	17.36	21.93	21.40	20.47	21.58
Average price of No. 3	cents								
Yellow corn, Chicago...	per lb.	105	66	53	62	74	115	106	60
Hog-corn price ratio 2/:									
Chicago	bushel	9.1	15.2	16.2	11.6	14.1	9.2	9.0	15.7
North Central States:	"	9.2	19.3	19.0	12.9	15.8	9.5	9.3	19.2
Proportion of packing									
sows in total packer									
and shipper purchases,									
seven markets 3/.....	percent	6.0	16.0	8.0	1/	16.0	15.0	9.0	12.0
Average weight at seven:									
markets	pound	203	234	231	1/	241	231	210	232

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.